

**FCC Form 481 - Carrier Annual Reporting  
Data Collection Form**

 FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010> Study Area Code	532393
<015> Study Area Name	PIONEER TEL COOP
<020> Program Year	2016
<030> Contact Name: Person USAC should contact with questions about this data	MICHAEL WHALEN
<035> Contact Telephone Number: Number of the person identified in data line <030>	5419298256 ext.
<039> Contact Email Address: Email of the person identified in data line <030>	mikewhalen@pioneer.net

ANNUAL REPORTING FOR ALL CARRIERS		54.313 Completion Required	54.422 Completion Required
<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	
<200> Outage Reporting (voice)	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report		<input checked="" type="checkbox"/>	
<300> Unfulfilled Service Requests (voice)	0	<input type="checkbox"/>	
<310> Detail on Attempts (voice)	 (attach descriptive document)	<input type="checkbox"/>	
<320> Unfulfilled Service Requests (broadband)	0	<input checked="" type="checkbox"/>	
<330> Detail on Attempts (broadband)	 (attach descriptive document)	<input type="checkbox"/>	
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	
<410> Fixed	0.0	<input checked="" type="checkbox"/>	
<420> Mobile	0.0	<input checked="" type="checkbox"/>	
<430> Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/>	
<440> Fixed	0.0	<input checked="" type="checkbox"/>	
<450> Mobile	0.0	<input checked="" type="checkbox"/>	
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<510> (attached descriptive document)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<610> (attached descriptive document)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input checked="" type="checkbox"/>	
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)?	(if yes, complete attached worksheet)	<input type="checkbox"/>	
<1000> Voice Services Rate Comparability Certification	Yes <input type="checkbox"/>	<input checked="" type="checkbox"/>	
<1010> (attach descriptive document)		<input type="checkbox"/>	
<1100> Certify whether terrestrial backhaul options exist (Yes or No)	<input checked="" type="radio"/> <input type="radio"/> (if not, check to indicate certification)	<input type="checkbox"/>	
<1110>	(complete attached worksheet)	<input type="checkbox"/>	
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)		<input checked="" type="checkbox"/>

**Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet**

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input type="checkbox"/>	
<2005>	(complete attached worksheet)	<input type="checkbox"/>	
<b>Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet</b>			
<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	

**(100) Service Quality Improvement Reporting  
Data Collection Form**

FCC Form 481  
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July 2013

<010>	Study Area Code	532393
<015>	Study Area Name	PIONEER TEL COOP
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	MICHAEL WHALEN
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419298256 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	mikewhalen@pioneer.net
<110>	Has your company received its ETC certification from the FCC? if your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	(yes / no) <input checked="" type="radio"/> <input type="radio"/> (yes / no) <input type="radio"/> <input type="radio"/>
<111>		

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

532393ORL00.pdf

Name of Attached Document

Please select the appropriate responses below (Yes, No, Not Applicable) to confirm that the attached document(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to §54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<113>	Maps detailing progress towards meeting plan targets	Yes
<114>	Report how much universal service (USF) support was received	Yes
<115>	How much (USF) was used to improve service quality and how support was used to improve service quality	Yes
<116>	How much (USF) was used to improve service coverage and how support was used to improve service coverage	Yes
<117>	How much (USF) was used to improve service capacity and how support was used to improve service capacity	Yes
<118>	Provide an explanation of network improvement targets not met in the prior calendar year.	Not Applicable

<b>&lt;010&gt;</b>	<b>Study Area Code</b>
01	01
02	02
03	03
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08	08
09	09
10	10
11	11
12	12
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97	97
98	98
99	99

Study Area Name
<015>

<020>	Program Year
-------	--------------

<030>	Contact Name - Person USAC should contact regarding this data

<035>	Contact Telephone Number - Number of person identified in data line <030>	5419298256 ext.

Contact Email Address - Email Address of person identified in data line <030>	mikewh10n@pioneer.net
<039>	

<220>

[illegible]

**(700) Price Offerings Including Voice Rate Data  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	532393
<015>	Study Area Name	PIONEER TEL COOP
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	MICHAEL KHALEN
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419298256 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	mikewhalen@pioneer.net

1/1/2015	
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	Residential Local Service Charge Effective Date
<701>	Single State-wide Residential Local Service Charge
<702>	

[illegible]





<010>	Study Area Code	532393	
<015>	Study Area Name	4	PIONEER TEL COOP
<020>	Program Year	2016	
<030>	Contact Name - Person USAC should contact regarding this data		MICHAEL WHALEN
<035>	Contact Telephone Number - Number of person identified in data line <030>		5419298256 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>		mikewhalen@pioneer.net
<810>	Reporting Carrier		PIONEER TELEPHONE COOPERATIVE
<811>	Holding Company		Pioneer Telephone Cooperative (OR)
<812>	Operating Company		PIONEER TELEPHONE COOPERATIVE

[illegible]

**<910> Tribal Land(s) on which ETC Serves**

**<920> Tribal Government Engagement Obligation**

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached document(s), on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

<921>	Needs assessment and deployment planning with a focus on Tribal community anchor Institutions.
<922>	Feasibility and sustainability planning;
<923>	Marketing services in a culturally sensitive manner;
<924>	Compliance with Rights of way processes
<925>	Compliance with Land Use permitting requirements
<926>	Compliance with Facilities Siting rules
<927>	Compliance with Environmental Review processes
<928>	Compliance with Cultural Preservation review processes
<929>	Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable							

**{1100} No Terrestrial Backhaul Reporting  
Data Collection Form**

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July 2013

<010>	Study Area Code	532393
<015>	Study Area Name	PIONEER TEL COOP
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	MICHAEL WHALEN
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419298256 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	mikewhalen@pioneer.net

<1120> Please confirm whether terrestrial backhaul options exist within the supported area pursuant to § 54.313(g) (Yes, No).

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

**(1200) Terms and Condition for Lifeline Customers****Lifeline****Data Collection Form**

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July 2013

<010>	Study Area Code	532393
<015>	Study Area Name	PIONEER TEL COOP
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	MICHAEL WHALEN
<035>	Contact Telephone Number - Number of person identified in data line <030>	5419298256 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	mikewhalen@pioneer.net

**<1210> Terms & Conditions of Voice Telephony Lifeline Plans**

Name of Attached Document

<1220>	Link to Public Website	HTTP	pioneer.net
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\*Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221>	Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,	<input checked="" type="checkbox"/>
<1222>	Details on the number of minutes provided as part of the plan,	<input checked="" type="checkbox"/>
<1223>	Additional charges for toll calls, and rates for each such plan.	<input checked="" type="checkbox"/>



## (2000) Price Cap Carrier Additional Documentation

## Data Collection Form

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	532393
<015>	Study Area Name	PIONEER TEL COOP
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	MICHAEL WAGNER
<035>	Contact Telephone Number - Number of person identified in data line <030>	361228236 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	mwagner@telcooneet.net

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

## Incremental Connect America Phase I reporting

&lt;2010&gt; 2nd Year Certification (47 CFR § 54.313(b)(1)(i))

&lt;2011a&gt; 3rd Year Certification (47 CFR § 54.313(b)(1)(ii))

&lt;2011b&gt; Attachment (47 CFR § 54.313(b)(1)(iii))

## Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))

&lt;2012&gt; 2013 Frozen Support Calculation (47 CFR § 54.313(c)(1))

&lt;2013&gt; 2014 Frozen Support Calculation (47 CFR § 54.313(c)(2))

&lt;2014&gt; 2015 Frozen Support Calculation (47 CFR § 54.313(c)(3))

&lt;2015&gt; 2016 and future Frozen Support Calculation (47 CFR § 54.313(c)(4))

## Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))

&lt;2016&gt; Certification Support Used to Build Broadband

&lt;2017&gt; Connect America Phase II Reporting (47 CFR § 54.313(e))

&lt;2018&gt; 3rd year Broadband Service Certification

&lt;2019&gt; 5th year Broadband Service Certification

&lt;2019&gt; Interim Progress Certification

<2020> Please check the box to confirm that the attached document(s), on line 2021, contains the required information pursuant to § 54.313 (e)(3)(iii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

&lt;2021&gt; Interim Progress Community Anchor Institutions

Name of Attached Document(s) Listing Required Information

Name of Attached Document(s) Listing Required Information

(3000) Rate Of Return Carrier Additional Documentation		FCC Form 481
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013
<010> Study Area Code	532393	
<015> Study Area Name	PIONEER TEL COOP	
<020> Program Year	2016	
<030> Contact Name - Person USAC should contact regarding this data	MICHAEL NHALEN	
<035> Contact Telephone Number - Number of person identified in data line <030>	541928256 ext.	
<039> Contact Email Address - Email Address of person identified in data line <030>	mikehalen@pioneer.net	
<p>CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.313(f)(2)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.</p> <p style="text-align: center;">532393OR3010.pdf</p>		
(3010) Progress Report on 5 Year Plan Milestone Certification (47 CFR § 54.313(f)(1)(i))	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3011) Please check this box to confirm that the attached document(s), on line 3012 contains the required information pursuant to § 54.313 (f)(1)(ii), the carrier shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(iii))	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3014) If yes, does your company file the RUS annual report	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
<p>Please check these boxes to confirm that the attached document(s), on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:</p>		
(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3016) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3018) If the response is no on line 3014, Is your company audited?	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3019) If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3020) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3021) Management letter and audit opinion issued by the independent certified public accountant that performed the company's financial audit	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3023) Underlying information subjected to a review by an independent certified public accountant	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3024) Underlying information subjected to an officer certification.	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3025) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	
(3026) Attach the worksheet listing required information	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <p style="text-align: right; font-size: small;">Name of Attached Document Listing Required Information</p>	

(3000) Rate Of Return Carrier Additional Documentation (Continued)		FCC Form 481
Data Collection Form		OMB Control No. 3060-0086/OMB Control No. 3060-0819
		July 2013

<01>	Study Area Code	512393
<01>	Study Area Name	PIONEER TEL COOP
<02>	Program Year	2016
<03>	Contact Name - Person USAC should contact regarding this data	MICHAEL WIALEN
<03>	Contact Telephone Number - Number of person identified in data line <03>	5419292256 ext.
<03>	Contact Email Address - Email Address of person identified in data line <03>	mike.wialen@pioneer.net

Financial Data Summary	
(3027) Revenue	14213892
(3028) Operating Expenses	13739148
(3029) Net Income	570992
(3030) Telephone Plant In Service(TPIS)	74765659
(3031) Total Assets	28711677
(3032) Total Debt	0
(3033) Total Equity	27842847
(3034) Dividends	7656

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	532393
<015> Study Area Name	PIONEER TEL COOP
<020> Program Year	2016
<030> Contact Name - Person USAC should contact regarding this data	MICHAEL WHALEN
<035> Contact Telephone Number - Number of person identified in data line <030>	5419298256 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	mikewhalen@pioneer.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: PIONEER TEL COOP	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer: MICHAEL WHALEN	
Title or position of Authorized Officer: EXECUTIVE VP	
Telephone number of Authorized Officer: 5419298256 ext.	
Study Area Code of Reporting Carrier: 532393	Filing Due Date for this form: 07/01/2015
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	532393
<015> Study Area Name	PIONEER TEL COOP
<020> Program Year	2016
<030> Contact Name - Person USAC should contact regarding this data	MICHAEL WHALEN
<035> Contact Telephone Number - Number of person identified in data line <030>	5419298256 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	mikewhalen@pioneer.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Printed name of Authorized Agent or Employee of Agent: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	



## Attachments

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

1/1/2015	
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<703>

[illegible]



FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

[illegible]

**PIONEER TELEPHONE COOPERATIVE**  
**2015**  
**PROGRESS REPORT ON SERVICE QUALITY IMPROVEMENT**  
**PLAN**

**PREAMBLE**

This document is an integral part of Company's 2015 Annual Report, as attached to Form 481. It is in compliance with § 54.313(a)(1) adopted in the FCC's USF/ICC Transformation Order (11-161) and incorporates all further clarifications identified in subsequent Reconsideration Orders, as applicable, that were in effect at the time the annual Report was due by Rule; to the requisite regulatory authorities.

Pioneer Telephone Cooperative advises that the environment in which the Company operates is dynamic, not static. As a result, certain network targets identified in the initial Five Year Network Improvement Plan filed in 2014, may be modified in response to regulatory decisions that have been subsequently adopted, and as their implication upon the Company's financial viability in providing the required services and service level quality became known.

Modifications to the network plan may also have been taken due to changes in market conditions, technology, support, weather, or other emergency related contingencies.

Targets not met or changed since the initial Five Year Plan filing are identified and reasons provided for those changes.

**UNIVERSAL SERVICE SUPPORT RECEIVED IN 2015**

Per the Universal Service Administrative Company (USAC), as available for the period up to this filing, Pioneer Telephone Cooperative received a total of \$1,515,520 in USF support funds. The breakdown of the funding to the point of filing is:

- \$ 0 High Cost Loop Support
- \$631,230 Connect America Fund-Intercarrier Compensation Support
- \$884,290 Interstate Common Line Support

Universal Service Support funds are used to: 1) maintain, upgrade, and improve the Company's network and, 2) cover operating expenses as necessary to permit it to offer a high level of service for both voice and broadband throughout its authorized service area.

USF support will continue to be included in the Company's current revenue accounts and forward-looking projections. Revenues, in the aggregate, are used for both capital expenditures as well as to cover operating expenses. The Company does not segregate USF separately for purposes of capital and operating expenditures; USF is expended in the same proportion as all other Company revenues.



The proportionate share of USF expenditures in 2015 to date for CAPEX is estimated to be \$288,000 (19%); OPEX \$1,227,520 (81%).

In the accompanying 2015 project detail, expenditures for network improvements sometimes involve service quality, coverage, and capacity as an integrated improvement project and are not mutually exclusive of one another. Where a project involves a single qualifier, it is so noted.

## **PROGRESS REPORT**

The total budget for Outside Plant and Central Office for 2015 is approximately \$2,200,000. While most of the projects have been started, very little is complete due mainly to weather in Oregon. Pioneer Telephone Cooperative serves from the Willamette Valley to the Oregon coast. These areas experience significant amounts of rainfall from November to June of each year. As a result, very little construction occurs during the first six months of the year. The primary construction season is the third quarter of the year.

In addition to weather related issues, Pioneer was also in the process of completing a conversion of the switch network from a circuit switched platform to a packet switch platform. This Packet Switch was purchased and installed in 2014 and was not part of the 2015 capital budget. However, much of the transfer of voice lines from the old switch to the new occurred in the first quarter of 2015.

The Central Office budget for 2015 is approximately \$813,000. The routine portion of the budget was approximately \$150,000. This portion is for upgrades and replacements that occur in the normal course of business and cannot necessarily be foreseen each year. To date, \$38,000 has been spent for these types of projects. These projects combine service quality, coverage, and capacity increases related to DSL.

The Central Office budget also included \$663,000 for projects that were mainly for increasing capacity for DSL service. To date, \$230,000 has been spent on these projects. None of these projects are complete as of the date of this report. The \$663,000 included approximately \$128,000 for new Calix E-3 digital loop carriers. The primary purpose of this is to push fiber deeper into the network in order to provide greater DSL speeds to end users. The Five Year Plan submitted in 2014 included 16 Calix E-3's. Since that plan was submitted, we have revised the E-3 deployment. It is now anticipated that in 2015 we will place 20 E-3 units. This revision was done based on bandwidth demands from end users. The other project was a major upgrade to our fiber optic ring capacity at a cost of \$535,000. This project will be completed in the second half of 2015.

The Outside Plant budget for 2015 is \$1,373,000. To date, only about \$35,000 has been completed and closed. The closed projects are primarily service drops to end users and other routine projects. The Outside Plant budget included \$657,000 related to the Calix E-3 digital remotes included in the Central Office budget. None of these projects are complete, however \$276,000 has been spent to date. Another project for \$183,000 that

will improve service quality has yet to be started. This project will improve network reliability by putting several remotes on a fiber optic ring.

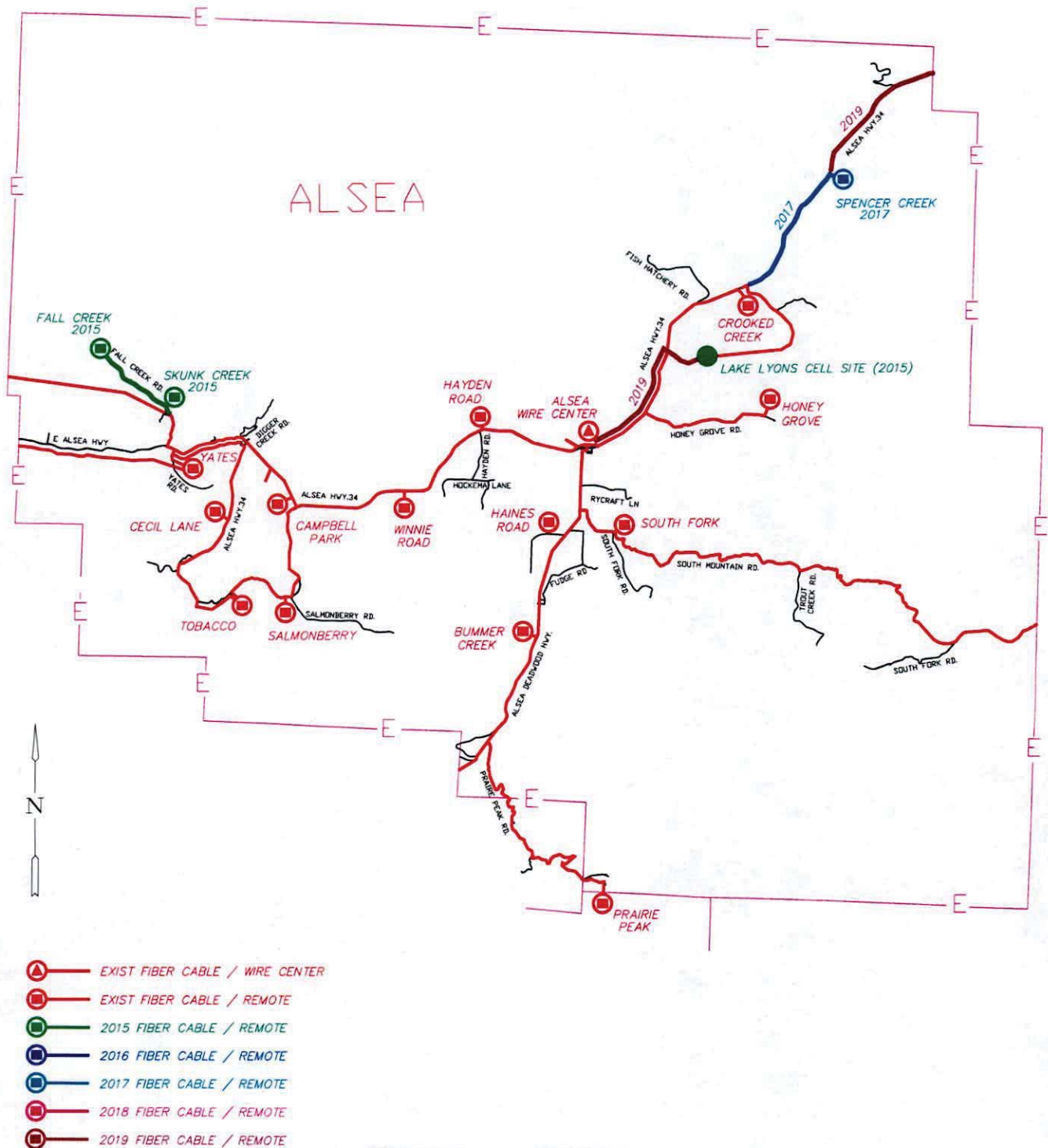
# PIONEER TELEPHONE COOPERATIVE / OREGON

ALSEA WIRE CENTER

CLLI: ALSEDRXXRS1

SQ. MI. 184

SAC: 532393



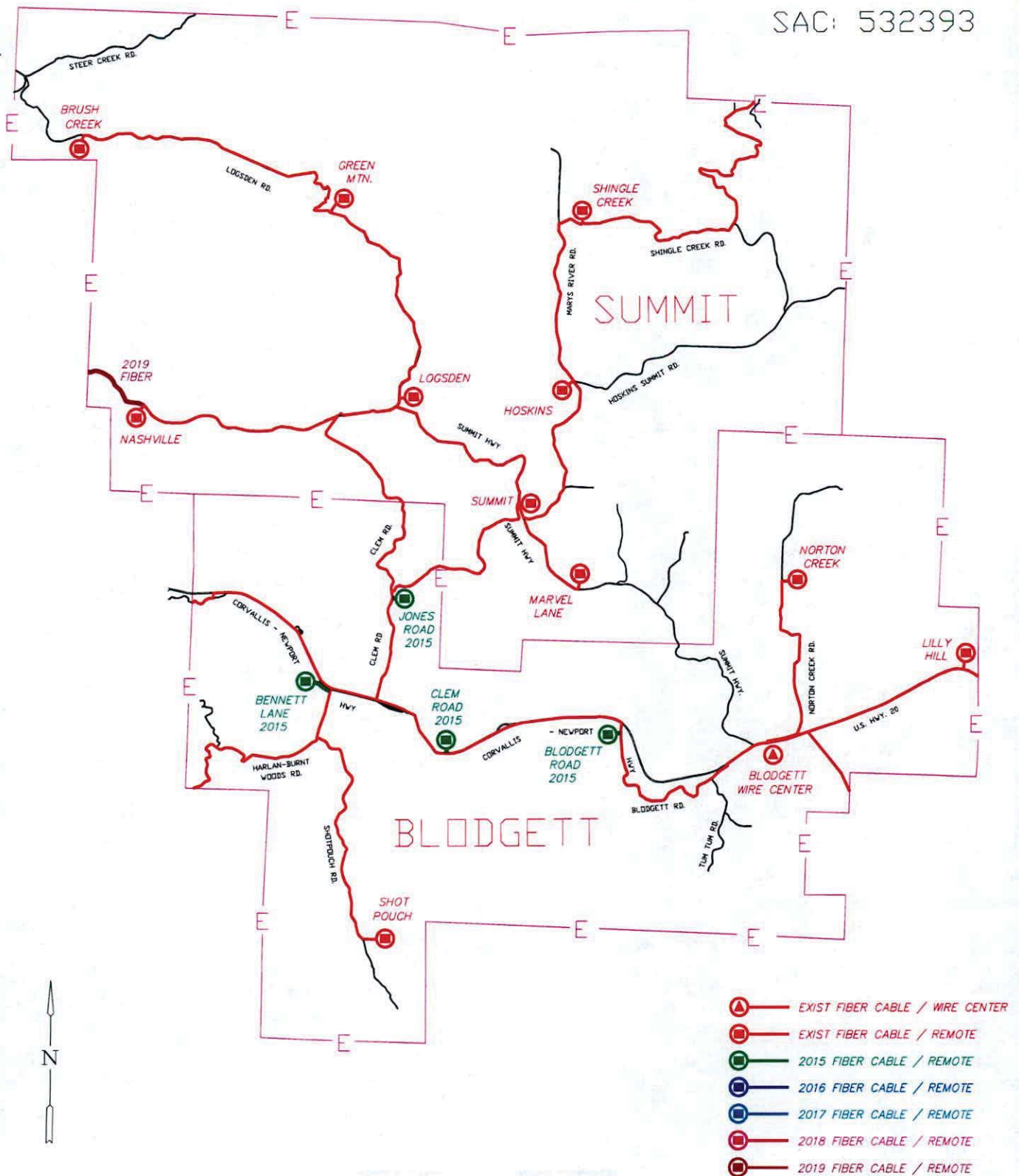
ALSEA 5 YEAR FCC PLAN

Drawn: 2007 MB Update: 05/18/15 MB

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PIONEER TELEPHONE COOPERATIVE / OREGON  
 BLODGETT WIRE CENTER  
 CLLI: BLDGORXARS0  
 SQ. MI. 97  
 SAC: 532393

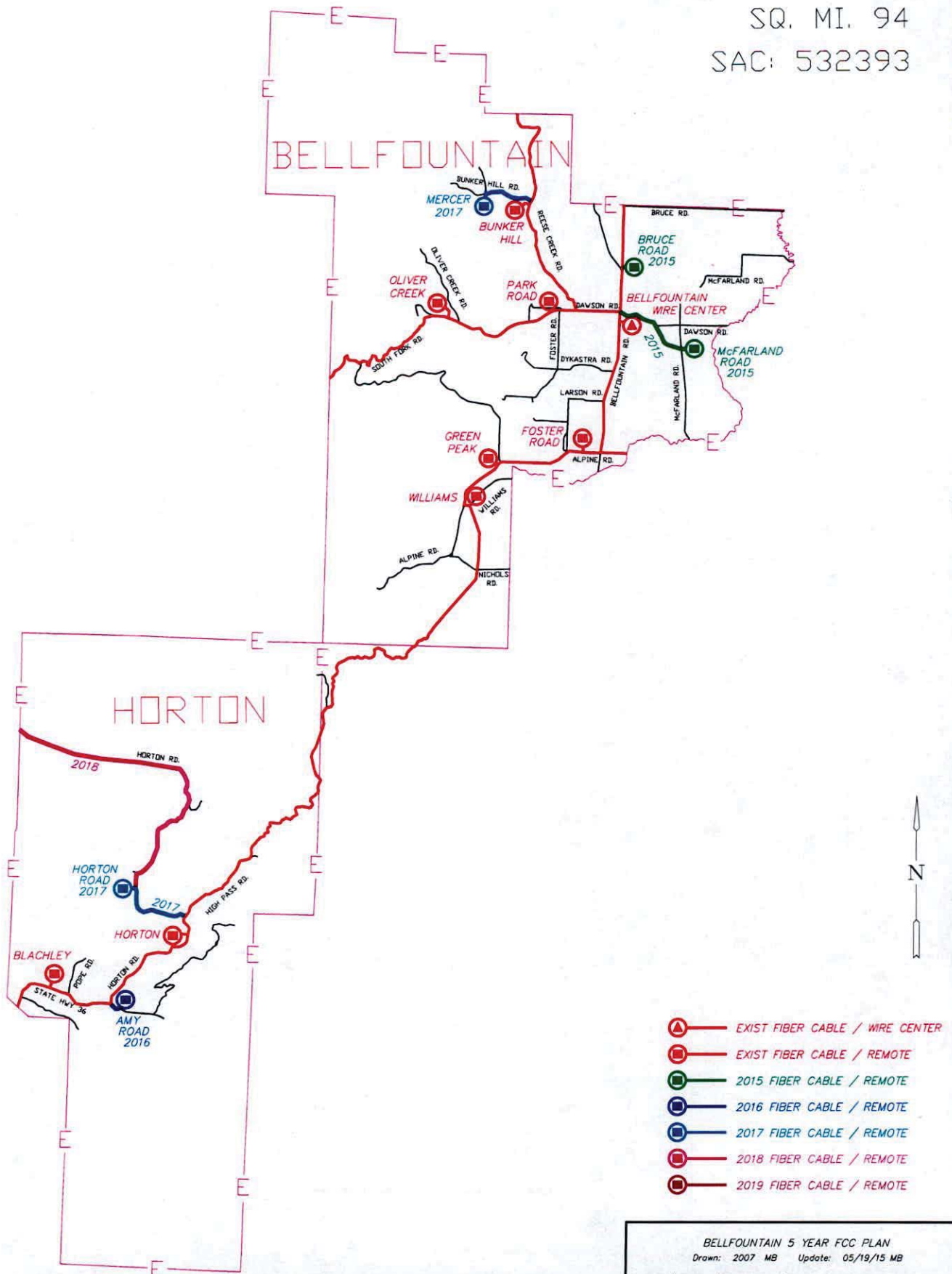


BLODGETT 5 YEAR FCC PLAN

Drawn: 2007 MB Update: 05/18/15 MB

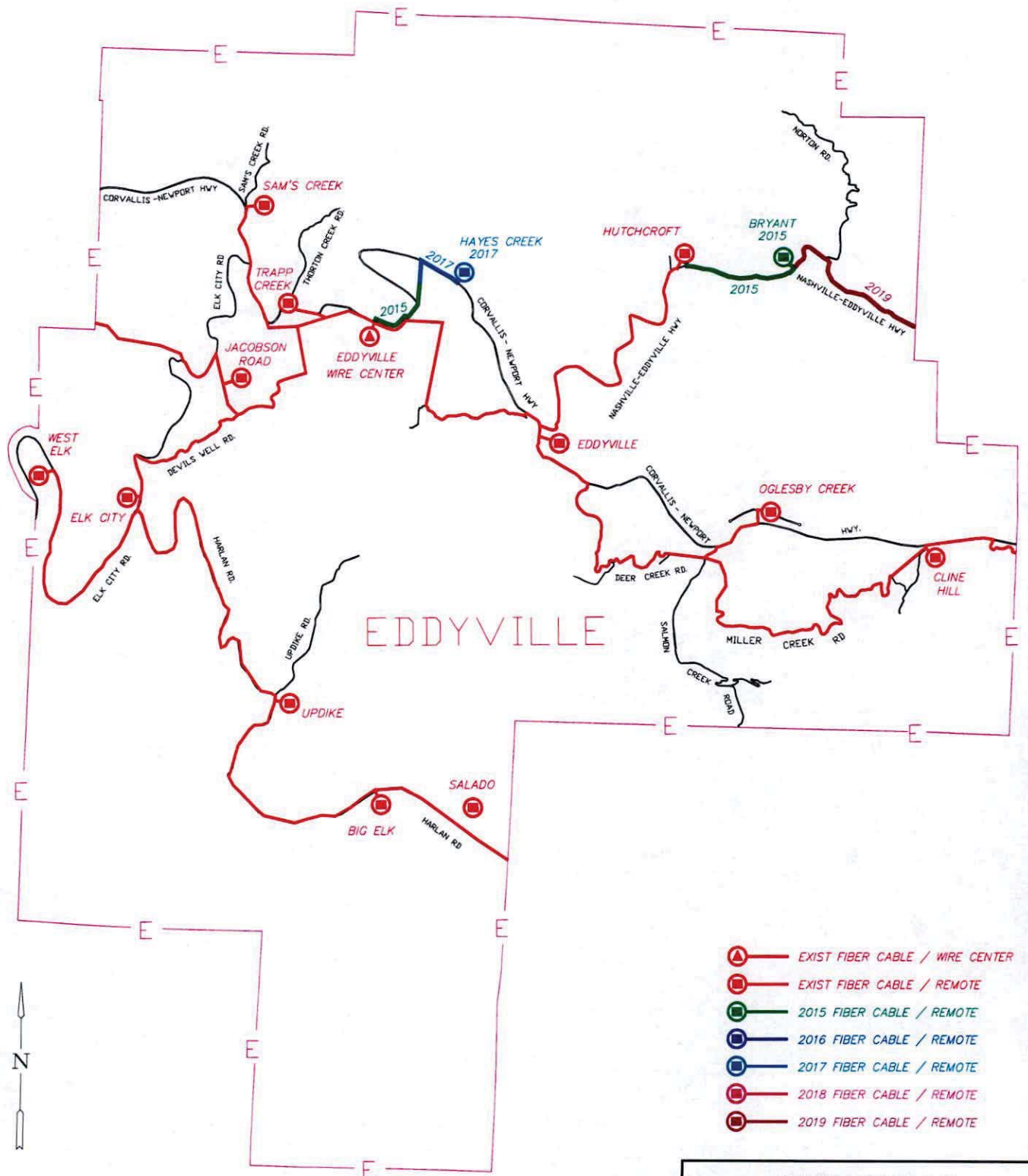
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PIONEER TELEPHONE COOPERATIVE / OREGON  
 BELLFOUNTAIN WIRE CENTER  
 CLLI: BLFNDRXXRS0  
 SQ. MI. 94  
 SAC: 532393





PIONEER TELEPHONE COOPERATIVE / OREGON  
 EDDYVILLE WIRE CENTER  
 CLLI: EDVLRXARS0  
 SQ. MI. 115  
 SAC: 532393



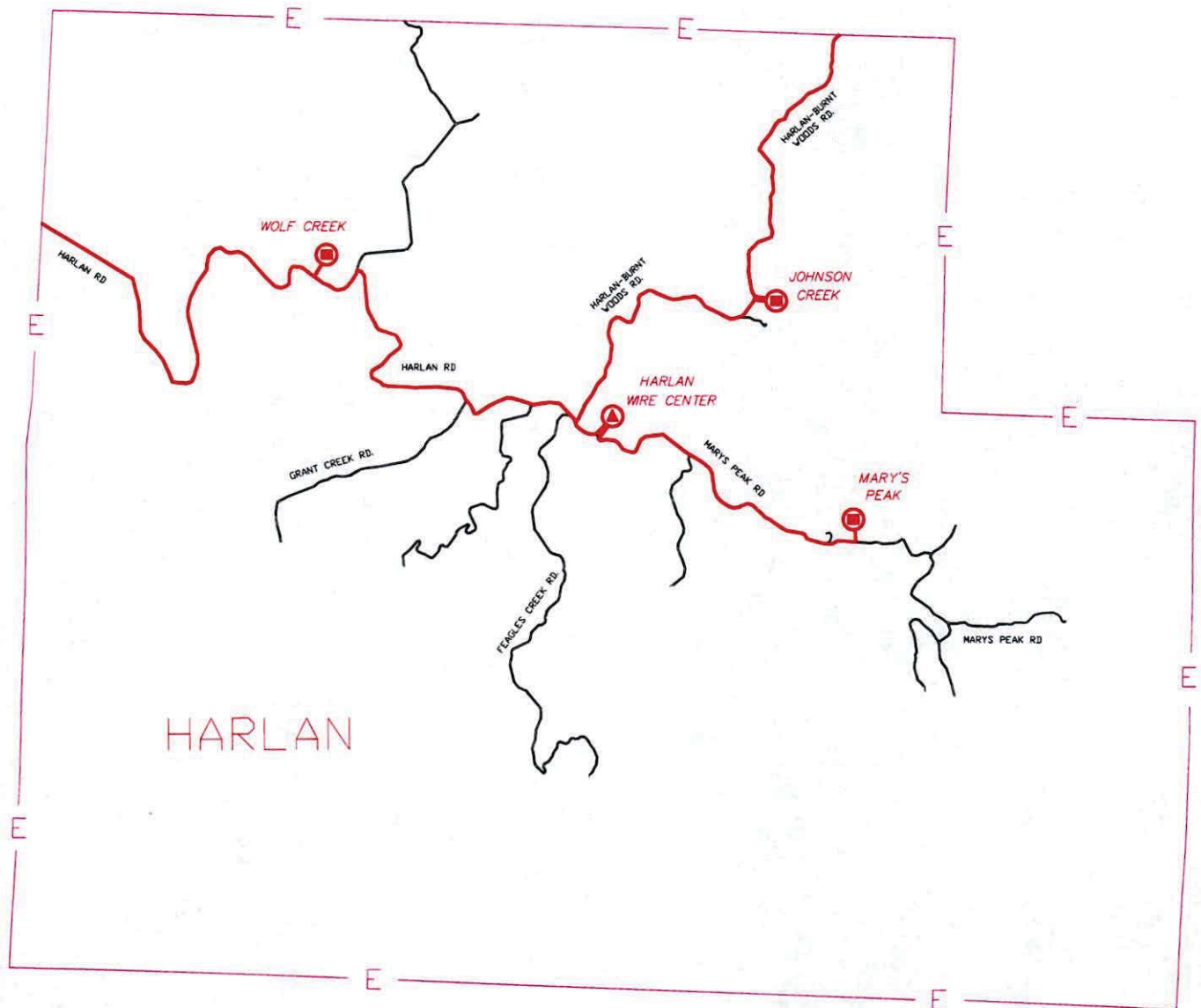
PIONEER TELEPHONE COOPERATIVE / OREGON

HARLAN WIRE CENTER

CLLI: HRLNORXXRS1

SQ. MI. 61

SAC: 532393



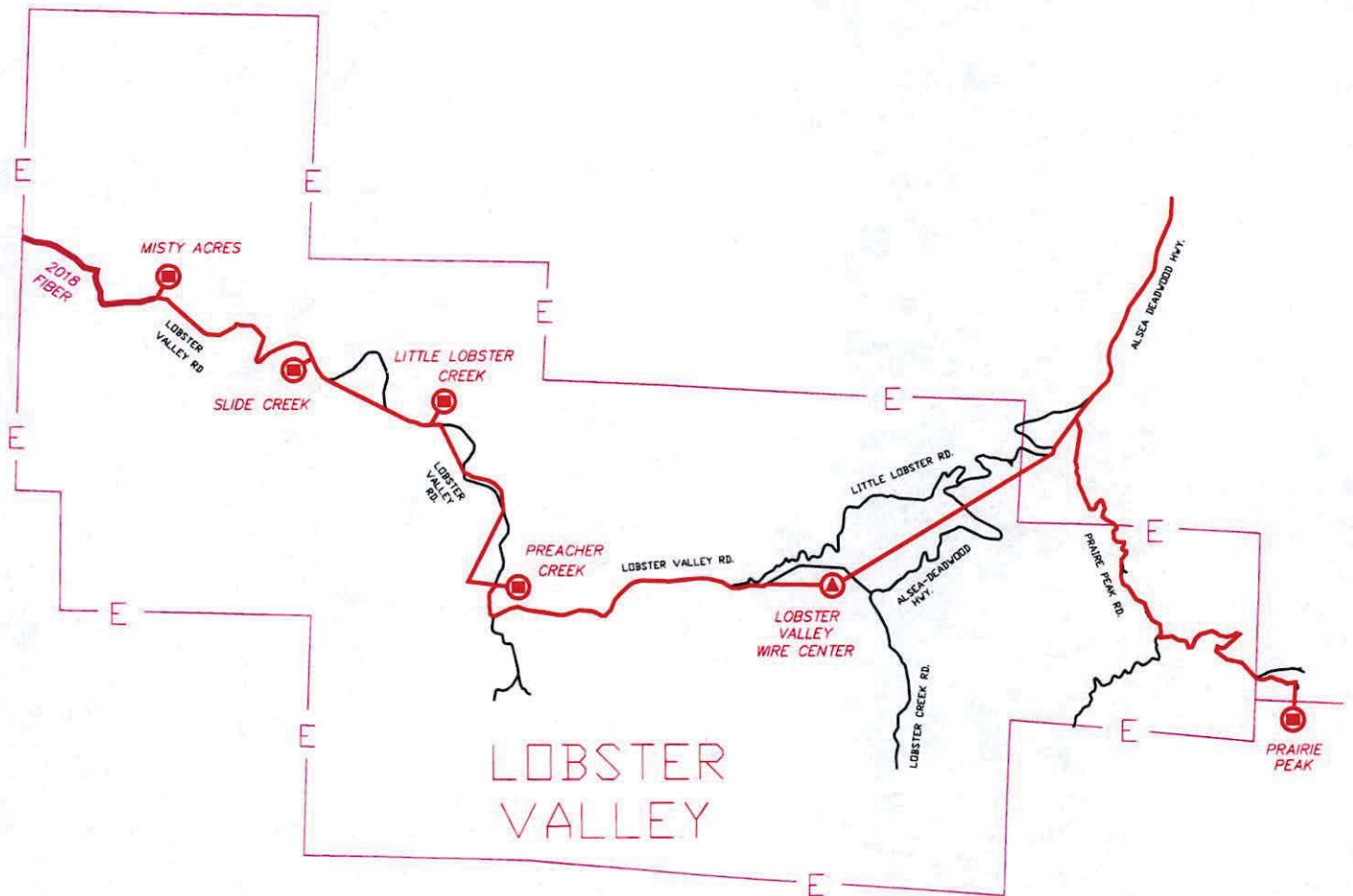
- ⬢ EXIST FIBER CABLE / WIRE CENTER
- ⬢ EXIST FIBER CABLE / REMOTE
- ⬢ 2015 FIBER CABLE / REMOTE
- ⬢ 2016 FIBER CABLE / REMOTE
- ⬢ 2017 FIBER CABLE / REMOTE
- ⬢ 2018 FIBER CABLE / REMOTE
- ⬢ 2019 FIBER CABLE / REMOTE

HARLAN 5 YEAR FCC PLAN

Drawn: 2007 MB Update: 05/19/15 MB

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PIONEER TELEPHONE COOPERATIVE / OREGON  
LOBSTER VALLEY WIRE CENTER  
CLLI: LBVYORXXRS1  
SQ. MI. 41  
SAC: 532393



- ▲ EXIST FIBER CABLE / WIRE CENTER
- EXIST FIBER CABLE / REMOTE
- 2015 FIBER CABLE / REMOTE
- 2016 FIBER CABLE / REMOTE
- 2017 FIBER CABLE / REMOTE
- 2018 FIBER CABLE / REMOTE
- 2019 FIBER CABLE / REMOTE

LOBSTER VALLEY 5 YEAR FCC PLAN  
Drawn: 2007 MB Update: 05/21/15 MB

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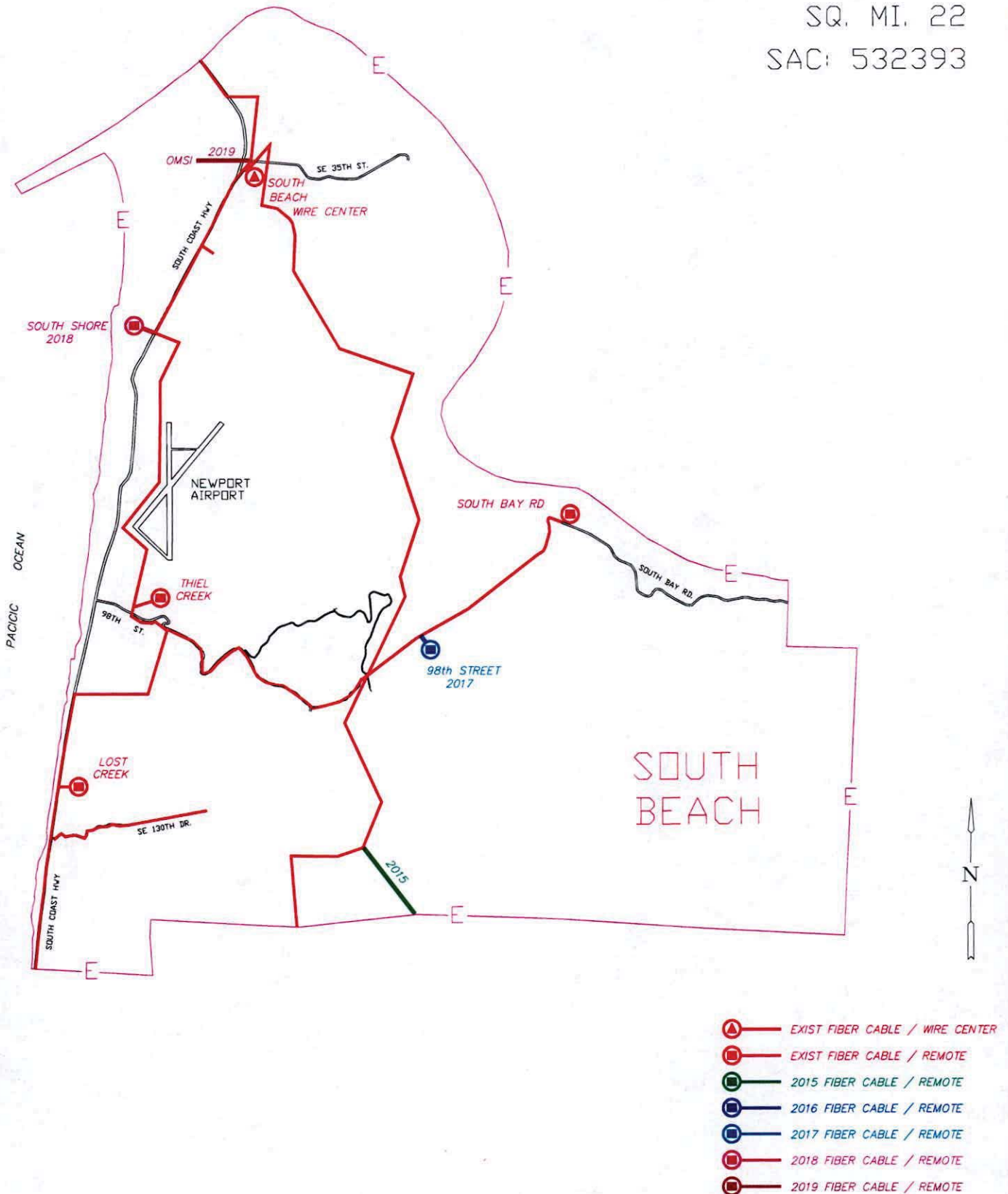


SAC: 532393



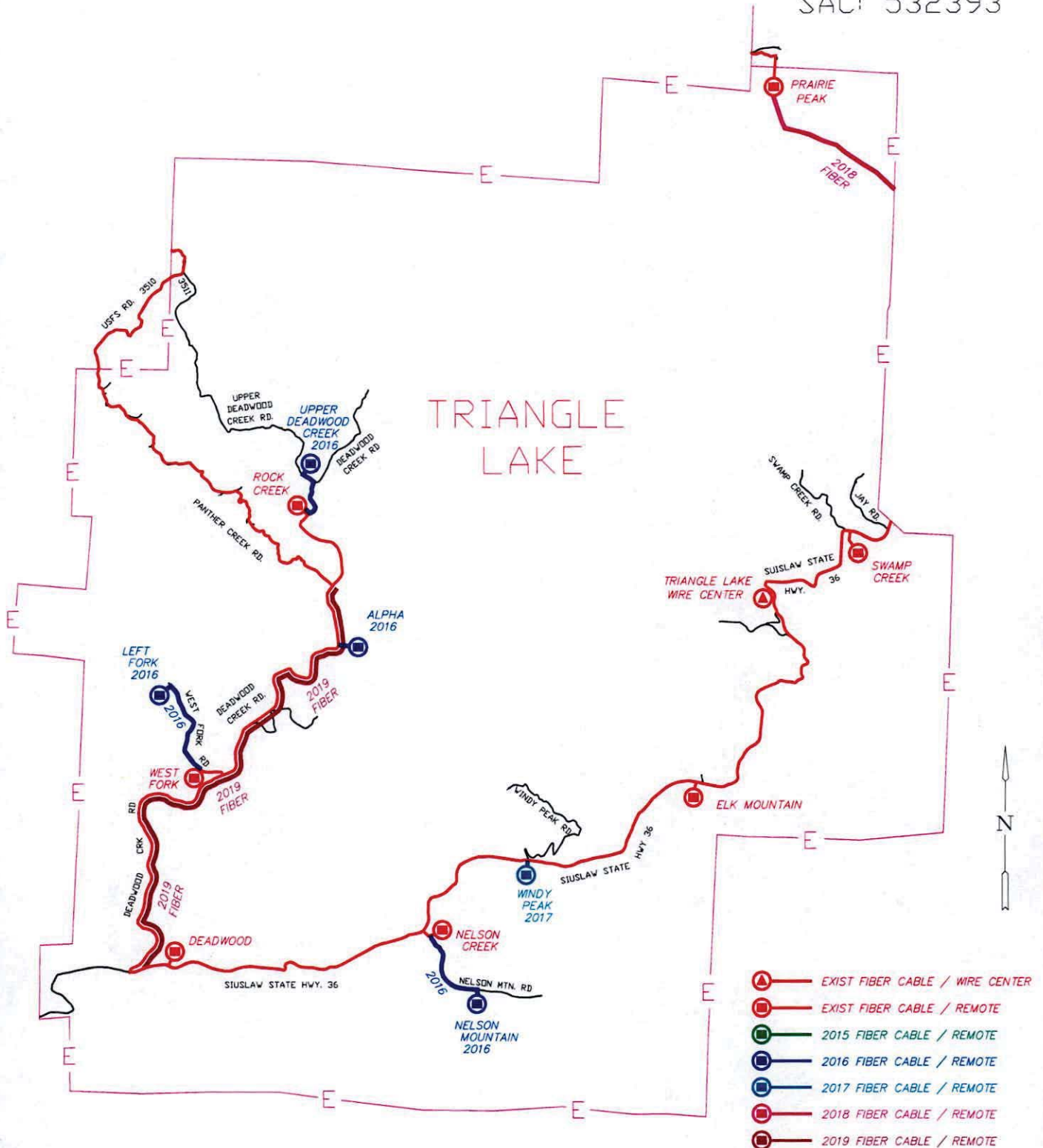
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PIONEER TELEPHONE COOPERATIVE / OREGON  
SOUTH BEACH WIRE CENTER  
CLLI: SBCHORXXRS0  
SQ. MI. 22  
SAC: 532393





PIONEER TELEPHONE COOPERATIVE / OREGON  
 TRIANGLE LAKE WIRE CENTER  
 CLLI: TRLKORXXRS1  
 SQ. MI. 144  
 SAC: 532393





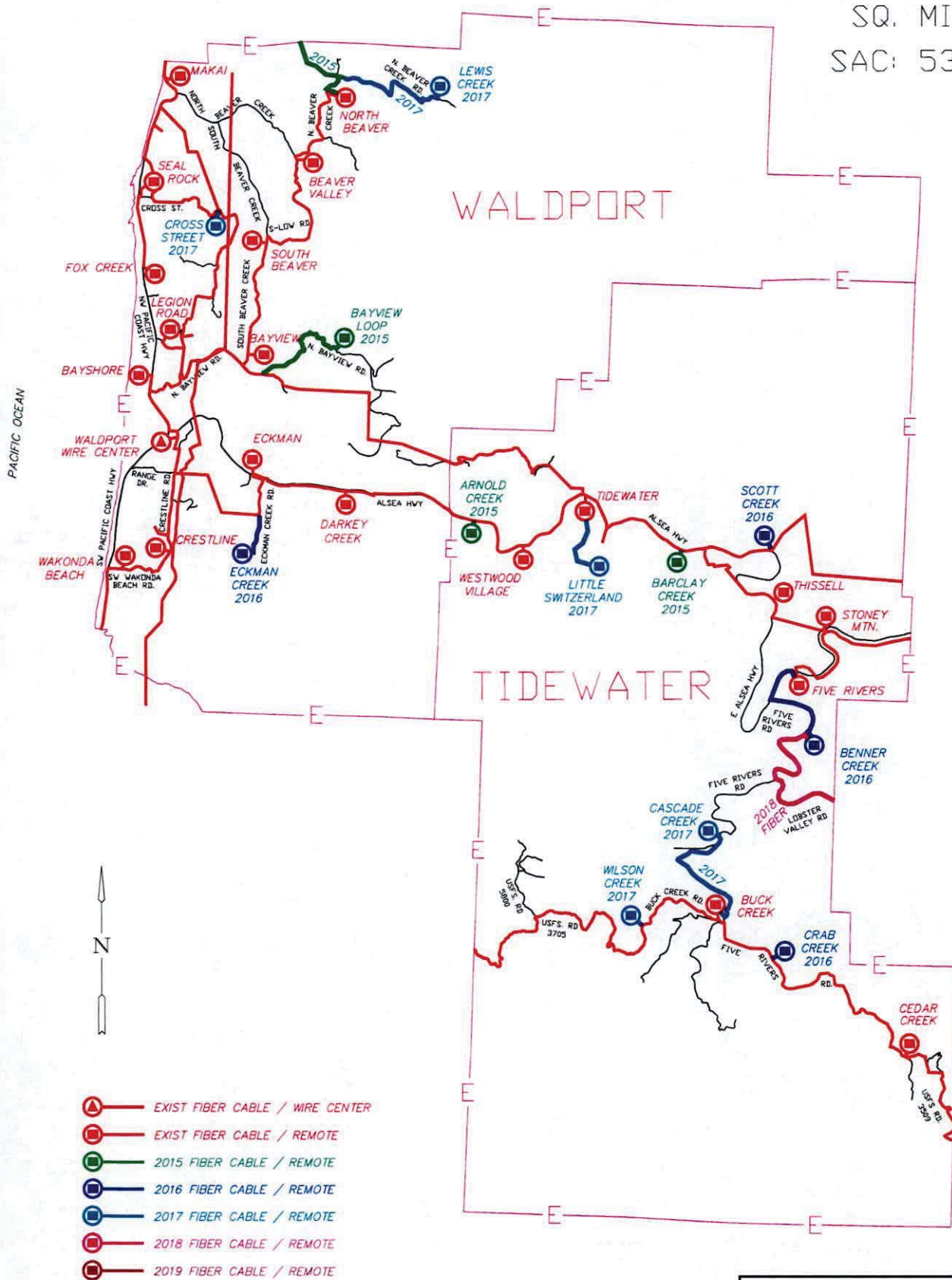
# PIONEER TELEPHONE COOPERATIVE / OREGON

## WALDPORT WIRE CENTER

CLLI: WLPTORXXRS0

SQ. MI. 262

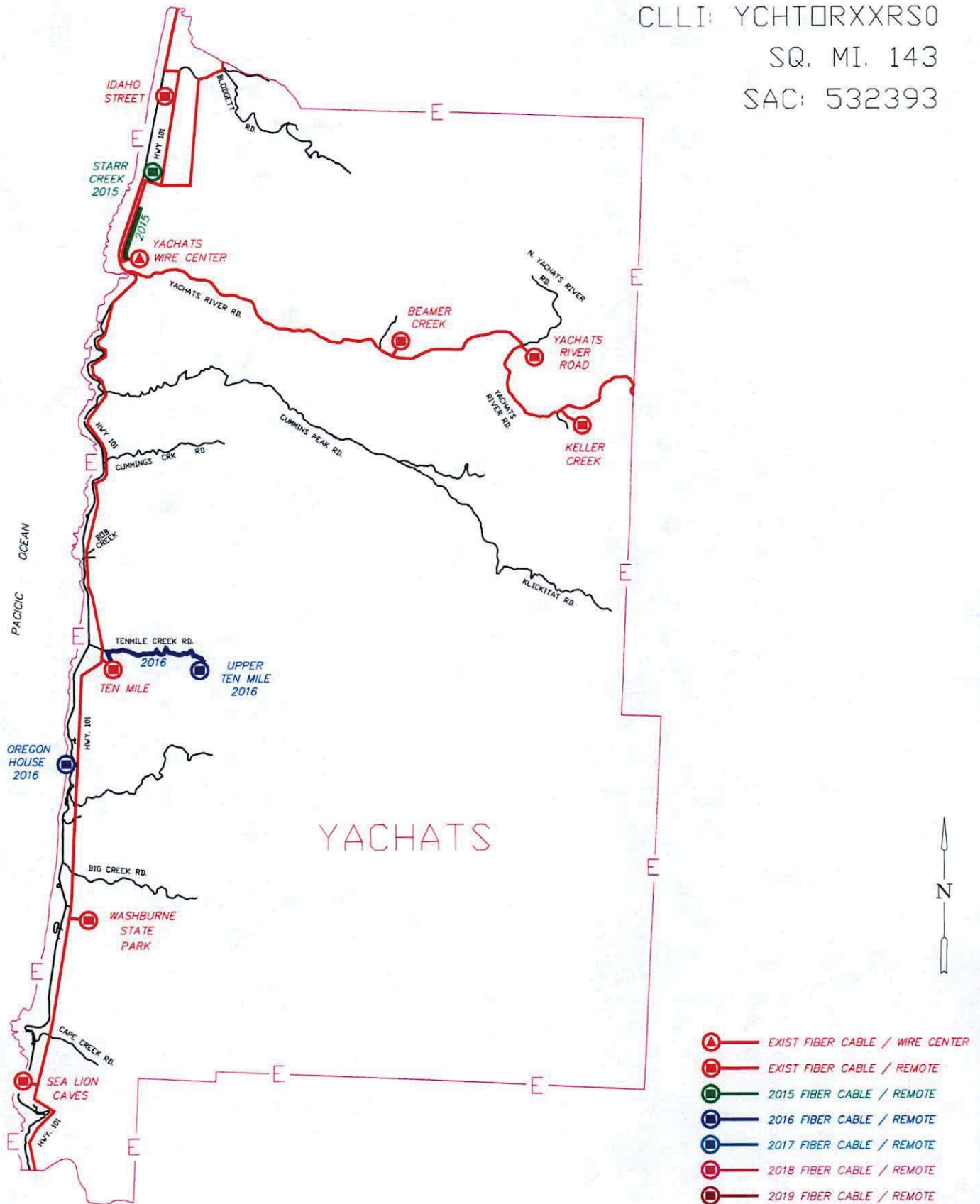
SAC: 532393



WALDPORT 5 YEAR FCC PLAN  
Drawn: 2007 MB Update: 05/21/15 MB

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PIONEER TELEPHONE COOPERATIVE / OREGON  
YACHATS WIRE CENTER  
CLLI: YCHTORXXRS0  
SQ. MI. 143  
SAC: 532393



**PIONEER TELEPHONE COOPERATIVE**

2015 FCC Form 481

(510) Service Quality Standards & Consumer Protection Rules Compliance

47 CFR § 54.313(a)(5) – Pioneer Telephone Cooperative complies with applicable service quality standards as stated in Oregon Administrative Rules 860-034-0390, Retail Telecommunications Service Standards for Small Telecommunications Utilities and consumer protection rules as defined in 47 CFR Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft.

**BROADBAND**

Pioneer Telephone Cooperative follows the service standards noted in NECA Tariff #5 and is committed to provide the highest quality service to its broadband customers.



## **PIONEER TELEPHONE COOPERATIVE**

2015 FCC Form 481

(600) Functionality in Emergency Situations

### **Back-up Power**

**Pioneer Telephone Cooperative** has the following back-up power capabilities:

Switches (stand alone and/or host), Remote Central Offices, Subscriber Carrier, DLC:

See next page for the list of back-up power capabilities

Network Interface Devices (NIDs)

**Pioneer Telephone Cooperative** has 10,152 access lines with metallic (copper) connections to the Central Office and their NIDs are powered from the Central Office.

**Pioneer Telephone Cooperative** has 303 access lines with non-metallic (fiber optic) connections to the Central Office. Of these, 110 NIDs are battery powered in case of emergency, with batteries rated at 8 hours based on Telcordia GR-909 specifications, and 193 NIDs are powered from the Central Office with SureReach technology by Generonix®.

### **Ability to reroute traffic around damaged facilities:**

**Pioneer Telephone Cooperative** has built redundant facilities between its exchanges and its connecting company. This redundant facility is in the form of a SONET ring with alternate physical facilities between **Pioneer Telephone Cooperative** and **CenturyLink**, its interconnection to the Public Switched Telephone Network.

### **Capability to manage traffic spikes resulting from emergency situations**

**Pioneer Telephone Cooperative** has 8,877 customers, switching capacity of 10,455 simultaneous calls, and transport capacity for 1,080 simultaneous calls. **Pioneer Telephone Cooperative** takes no responsibility for the capabilities of interconnected networks to manage traffic spikes resulting from emergency situations, but will continue its best efforts for its networks during such events.

Pioneer Telephone Cooperative  
Back-up Power

<b>Philomath</b>	200	Diesel	520	52 HR.	4180	8.69 HR.
Alsea	30	Diesel	550	183 HR.	1000	12 HR.
Bellfountain	25	Diesel	30	30 HR.	2090	22 HR.
Blodgett	25	Diesel	30	30 HR.	930	16.5 HR.
Chitwood	25	Diesel	30	30 HR.	1000	14.50 HR.
Deadwood	15	Diesel	220	183 HR.	400	8.9 HR.
South Beach	80	Diesel	250	48 HR.	2090	22.25 HR.
Waldport	75	Diesel	280	60 HR.	2090	14.25 HR.
Yachats	30	Diesel	250	104 HR.	2090	17 HR.
Harlan	15	Diesel	132	121 HR.	500	16 HR.
Lobster Valley	15	Diesel	132	121 HR.	775	29 HR.
Horton	25	DIESEL	30	30 HR.	310	82.5 HR
Tidewater	13	PROPANE	120	85 HR.	465	31.5 HR.
Triangle Lake	30	DIESEL	550	229 HR.	465	74.25 HR.
Alexander Road					155	77 HR.
Bayshore					620	24.75 HR.
Bayview					290	37.25 HR.
Beamer Creek					155	88.5 HR.
Beaver Valley					290	46.25 HR.
Bennett Lane					125	50.0 HR.
Big Elk Creek					155	62 HR.
Blachly					170	18.60 HR.
Brush Creek					225	163 HR.
Bruce Road				Line Powered From Bellfountain	22.5 HR. (+ Generator)	
Buck Creek					290	55 HR.
Bummer Creek					300	68.5 HR.
Bunker Hill					125	24.25 HR.
Campbell Park					155	77.5 HR.
Cecil Lane				Line Powered From Tobacco Road	72 HR.	
Cedar Creek					245	115 HR.
Clem Road					290	38.6 HR.
Cline Hill				Line Powered From Oglesby Creek	22.2 HR.	
Crooked Creek					290	38.6 HR.
Darkey Creek					290	31.6 HR.
Decker Ridge					145	72.5 HR.
Decker Road					155	13.75 HR
Eckman					465	32.6 HR.
Eddyville					100	13.25 HR.
Elk City					155	72.75 HR.
Elk Mountain Rd.					145	46.4 HR.
Ervin Road					290	15.3 HR.
Evergreen Rd					125	31.25 HR.
Five Rivers					155	41.3 HR.
Foster Road					255	12.9 HR.
Fox Creek				Line Powered From Seal Rock	29 HR.	
Grand Oaks					600	43.0 HR.
Green Mountain				Line Powered From Summit	82.5 HR.	
Green Peak				Line Powered From Foster Road	12.9 HR.	
Harris Road					290	32 HR.
Henderson Rd					290	33.6 HR.
Hidden Valley					290	38.5 HR.
Honeygrove					125	90.75 HR.
Hoskins Road				Line Powered From Summit	82.5 HR.	
Hutchcroft Road					155	82.5 HR.
Idaho St.					435	33 HR.
Jacobson Road				Line Powered From Blodgett	16.5 HR. (+ Generator)	
Johnson Creek					155	112 HR.
Keller Creek					155	47.5 HR.
Kings Valley					620	66.00 HR.
Fort Hoskins				Line Powered From Kings valley	66.00 HR.	
Grange Hall				Line Powered From Philomath	8.69 HR. (+ Generator)	
Legion Road					435	31.5 HR.
Little Lobster Creek				Line Powered From Slide Creek	41.3 HR.	

Pioneer Telephone Cooperative  
Back-up Power

Lilly Hill	Line Powered From Blodgett 16.5 HR. (+ Generator)	
Llewellyn Road	Line Powered From Ervin Road 15.3 HR.	
Logsdan Road	Line Powered From Summit 82.5 HR.	
Lost Creek	465	47.5 HR.
Hayden Road	Line Powered From Alsea 12.12 HR. (+ Generator)	
Haynes Road	Line Powered From Alsea 12.12 HR. (+ Generator)	
Makai	310	27.5 HR.
Marvel Road	Line Powered From Summit 82.5 HR.	
Mary's Peak	290	225 HR.
Marys River Est	290	18.5 HR.
McGarry	310	31 HR.
McFarland	Line Powered From Bellfountain 22.5 HR. (+ Generator)	
Misty Acres Rd.	Line Powered From Slide Creek 41.3 HR.	
Nashville	100	80 HR.
Neabeack Hill	375	27.25 HR.
Nelson Creek	155	47.5 HR.
North Beaver	145	72.5 HR.
Norton Creek	125	40 HR.
Oglesby Creek	125	22.20 HR.
Old Peak	Line Powered From Philomath 8.69 HR. (+ Generator)	
Oliver Creek	155	77.50 HR.
Park Road	Line Powered From Bellfountain 22.5 HR. (+ Generator)	
Pit Road	125	76.75 HR.
Powder House	Line Powered From Philomath 8.69 HR. (+ Generator)	
Preacher Creek	145	82.86
Rock Creek	155	77.50 HR.
Salmonberry	Line Powered From Campbell Park 77.5 HR.	
Sam's Creek	80	33.5 HR.
Sea Lion Caves	300	50 HR.
Seal Rock	600	29 HR.
Shingle Creek	300	140 HR.
Shotpouch	155	112 HR.
Slide Creek	155	41.3 HR.
Solado	Line Powered From Big Elk 62 HR.	
South Bay Rd	145	96.5 HR.
South Beaver	290	46.25 HR.
South Harris	145	105 HR.
South Fork	Line Powered From Alsea 12.12 HR. (+ Generator)	
Stoney Mountain	Line Powered From Five Rivers 41.3 HR.	
Summit	620	82.50 HR.
Swamp Creek Rd.	155	77.5 HR.
Tatum Lane	Line Powered From Kings Valley 66.00 HR.	
Ten Mile	500	31.50 HR.
Thiel Creek	435	30.5 HR.
Thissell	155	42.75 HR.
Tobacco Road	270	72 HR.
Trap Creek	Line Powered From Chitwood 14.50 HR. (+ Generator)	
Urdike	Line Powered From Elk City 72.5 HR.	
Waconda Beach	600	47.5 HR.
Ward Road	145	77.25 HR.
Washburne S.P.	300	80 HR.
West Elk	145	77.25 HR.
West Fork	155	82.5 HR.
West Hills	290	20.1 HR.
Westwood Village	375	31.5 HR.
Wildwood	270	54 HR.
Williams Road	Line Powered From Foster Road 12.91 HR.	
Winnie Road	Line Powered From Campbell Park 77.5 HR.	
Wolfe Creek	290	210 HR.
Woods Creek	290	35 HR.
Yachats River Rd	290	46.25 HR.
Yates	120	12 HR.





# PIONEER

Broadband and Voice Applications

## PHILOMATH

T: 541.929.3135  
F: 541.929.1221  
1304 Main St  
Philomath, OR 97370

## WALDPORT

T: 541.563.3135  
F: 541.563.1211  
575 W. Willow St  
Waldport, OR 97394

June 22, 2015

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
9300 East Hampton Drive  
Capitol Heights, MD 20743

Re: WC Docket No. 14-58, 2015 Annual Report, Form 481 for High-Cost Recipient  
54.313(f)(1) "Milestone Certification"

Dear Ms. Dortch:

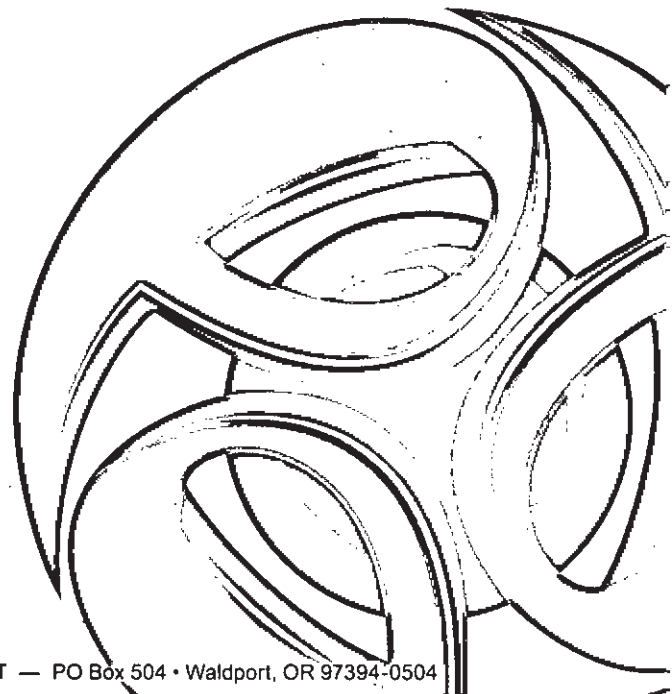
In compliance with the filing requirements associated with, and attached to Form 481, we wish to advise the Commission that Pioneer Telephone Cooperative:

- Has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of 4 Mbps downstream / 1 Mbps upstream;
- Provides latency suitable for real-time applications including VoIP and usage capacity which is reasonably comparable to those in urban areas and;
- That reasonable requests for service are met within a reasonable timeframe.

If there are questions, I may be contacted at 541-929-8256.

Sincerely,

Michael Whalen, CPA  
Executive VP/General Manager



**No anchor institutions required or requested broadband service in 2014.  
Pioneer Telephone Cooperative continues to monitor customer demand and technological innovation, planning to size its network in anticipation of requests and demand for higher speed broadband needs.**

**PIONEER TELEPHONE COOPERATIVE  
AND SUBSIDIARY**

**Consolidated Financial Statements**

*Years Ended December 31, 2014 and 2013*



# **PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY**

## **Consolidated Financial Statements**

**Years Ended December 31, 2014 and 2013**

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### **Table of Contents**

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Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Changes in Members' Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

**AKT**

CPAS AND BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Pioneer Telephone Cooperative and Subsidiary  
Philomath, Oregon

We have audited the accompanying consolidated financial statements of Pioneer Telephone Cooperative and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pioneer Telephone Cooperative and Subsidiary, as of December 31, 2014 and 2013, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**AKT LLP**

Salem, Oregon  
April 8, 2015

680 HAWTHORNE AVENUE SE. #140, SALEM, OR 97301

PHONE: 503.585.7774 FAX: 503.364.8405

PORTLAND, OR | SALEM, OR | CARLSBAD, CA | ESCONCADO, CA | SAN DIEGO, CA | ANCHORAGE, AK

AKT LLP

**PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY****Consolidated Balance Sheets**

December 31, 2014 and 2013

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
Current Assets:		
Cash and cash equivalents	\$ 8,314,542	\$ 6,091,335
Accounts receivable, less allowance for doubtful accounts of \$10,000	66,782	65,458
Other receivables	849,293	1,126,755
Materials and supplies	341,804	351,283
Prepaid expenses	247,597	258,208
Total Current Assets	9,820,018	7,893,039
Other Assets and Investments	3,443,018	3,451,948
Property, Plant, and Equipment:		
In service	74,765,659	72,729,875
Under construction	2,825	12,347
	74,768,484	72,742,222
Less accumulated depreciation	59,319,843	55,721,915
Property, Plant, and Equipment, net	15,448,641	17,020,307
	<u>\$ 28,711,677</u>	<u>\$ 28,365,294</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 269,560	\$ 198,013
Accrued expenses	361,343	734,518
Total Current Liabilities	630,903	932,531
Deferred Income Taxes	237,927	172,382
Members' Equity:		
Memberships	8,995	9,261
Patronage capital	23,126,096	22,742,067
Other equity	4,707,756	4,509,053
Total Members' Equity	27,842,847	27,260,381
	<u>\$ 28,711,677</u>	<u>\$ 28,365,294</u>

See accompanying notes to consolidated financial statements.



**PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY****Consolidated Statements of Operations**

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Local network	\$ 3,078,603	\$ 3,195,953
Network access	9,943,576	10,709,499
Miscellaneous	<u>1,191,713</u>	<u>1,193,383</u>
Total Operating Revenues	<u>14,213,892</u>	<u>15,098,835</u>
Operating Expenses:		
Plant specific	2,788,225	2,589,887
Plant nonspecific	1,999,952	1,862,599
Customer	2,273,506	2,407,265
Corporate	2,036,518	2,010,409
Depreciation	3,841,419	3,386,238
Other taxes	380,504	383,271
Other operating expenses	<u>419,024</u>	<u>429,161</u>
Total Operating Expenses	<u>13,739,148</u>	<u>13,068,830</u>
Operating Margin	<u>474,744</u>	<u>2,030,005</u>
Other Income (Expense):		
Interest and other income	76,390	140,068
Income tax expense	(96,260)	(159,357)
Nonregulated income (loss), net	(37,872)	8,915
Income from other investments	<u>158,386</u>	<u>130,283</u>
Total Other Income, net	<u>100,644</u>	<u>119,909</u>
Margin Available for Fixed Charges	575,388	2,149,914
Fixed Charges - Interest on Long-Term Debt	<u>4,396</u>	<u>46,672</u>
Net Margin	<u>\$ 570,992</u>	<u>\$ 2,103,242</u>

# **PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY**

## **Consolidated Statements of Changes in Members' Equity**

**Years Ended December 31, 2014 and 2013**

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Other Equity</u>	<u>Total</u>
Balance, December 31, 2012	\$ 9,793	\$ 20,764,239	\$ 4,395,632	\$ 25,169,664
Change in memberships	(532)	-	-	(532)
Estate payments	-	(30,992)	-	(30,992)
Excise tax refund		18,999		18,999
Other adjustments	-	762	(762)	-
Net margin	<u>-</u>	<u>1,989,059</u>	<u>114,183</u>	<u>2,103,242</u>
Balance, December 31, 2013	\$ <u>9,261</u>	\$ <u>22,742,067</u>	\$ <u>4,509,053</u>	\$ <u>27,260,381</u>
Change in memberships	(266)	-	-	(266)
Estate payments	-	(7,656)	-	(7,656)
Excise tax refund	-	19,396	-	19,396
Other adjustments	-	5,570	(5,570)	-
Net margin	<u>-</u>	<u>366,719</u>	<u>204,273</u>	<u>570,992</u>
Balance, December 31, 2014	\$ <u>8,995</u>	\$ <u>23,126,096</u>	\$ <u>4,707,756</u>	\$ <u>27,842,847</u>

See accompanying notes to consolidated financial statements.

# **PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY**

## **Consolidated Statements of Cash Flows**

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities:</b>		
Net margin	\$ 570,992	\$ 2,103,242
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation	3,841,419	3,386,238
Income from investments	(159,676)	(137,421)
Change in deferred taxes	65,545	122,789
Changes in assets and liabilities:		
Accounts receivable	(1,324)	205,851
Other receivables	277,462	549
Materials and supplies	9,479	(35,744)
Prepaid expenses	10,611	(13,533)
Accounts payable	71,547	56,238
Accrued expenses	(373,175)	(135,585)
Net Cash Provided by Operating Activities	<u>4,312,880</u>	<u>5,552,624</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property, plant, and equipment, net	(2,269,753)	(1,356,612)
Purchase of other investments	(28,000)	(202,500)
Proceeds from other investments	<u>196,606</u>	<u>133,707</u>
Net Cash Used by Investing Activities	<u>(2,101,147)</u>	<u>(1,425,405)</u>
<b>Cash Flows from Financing Activities:</b>		
Payments on long-term debt	-	(1,840,910)
Net change in memberships	(266)	(532)
Excise tax refunds received	19,396	18,999
Estate payments	<u>(7,656)</u>	<u>(30,992)</u>
Net Cash Provided (Used) by Financing Activities	<u>11,474</u>	<u>(1,853,435)</u>
Net Increase in Cash and Cash Equivalents	2,223,207	2,273,784
Cash and Cash Equivalents, beginning	<u>6,091,335</u>	<u>3,817,551</u>
Cash and Cash Equivalents, ending	<u>\$ 8,314,542</u>	<u>\$ 6,091,335</u>
Cash Paid During the Year for Interest	<u>\$ 6,313</u>	<u>\$ 79,806</u>

See accompanying notes to consolidated financial statements.



## PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

### Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

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#### **Note 1 - Organization and Summary of Significant Accounting Policies**

##### Organization

Pioneer Telephone Cooperative (the Cooperative) is an Oregon cooperative corporation providing telecommunications services from within and around the City of Philomath, Oregon to the City of Waldport, Oregon. The Cooperative invests in other telecommunication-related ventures through its wholly-owned subsidiary, Pioneer Consolidated, Inc.

##### Basis of Consolidation

The consolidated financial statements include the accounts of Pioneer Telephone Cooperative and its wholly-owned subsidiary, Pioneer Consolidated, Inc. (the Subsidiary). All intercompany transactions and balances have been eliminated in the consolidation.

##### Estimates

The Cooperative uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

##### Regulation

The Cooperative is subject to limited regulation by the Public Utility Commission of Oregon (PUC) and the Federal Communications Commission (FCC). The Cooperative maintains its accounting records in accordance with the Uniform System of Accounts, as prescribed by the FCC and adopted by the PUC. As a result, the application of accounting principles generally accepted in the United States of America by the Cooperative differs in certain respects from the application by nonregulated businesses. Such differences primarily concern the time at which certain items enter into the determination of net margin.

Regulatory and legislative actions, as well as future regulations, could have a significant impact on the Cooperative's future operations and financial condition. See Note 1, National Broadband Plan and FCC Order.

##### Cash and Cash Equivalents

The Cooperative considers cash investments with an original maturity of 3 months or less to be cash equivalents. The Cooperative maintains its cash and cash equivalents in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor per bank. As of December 31, 2014 and 2013, the Cooperative did not have cash in any one bank that exceeded the FDIC limit due to the Cooperative having funds swept nightly into repurchase agreements which are fully collateralized.

The Cooperative has not experienced any losses in its bank accounts and believes it is not exposed to any significant credit risk on cash.

##### Accounts Receivable

The Cooperative generally does not require collateral or other security to support accounts receivable. An allowance for doubtful accounts is maintained, based upon management's review of the year-end accounts receivable aging and past credit and collection history. Receivables are written off when the Cooperative determines an account is uncollectible. Past due status is determined based on how recently payments have been received.

##### Investments

Investments in which the Cooperative holds a 20%-50% interest are accounted for on the equity method. Investments accounted for on the equity method are recorded at cost and adjusted for the Cooperative's share of income or loss. Investments in which the Cooperative holds less than a 20% interest are recorded at cost, and income is recorded when dividends are received.

## **PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY**

### **Notes to Consolidated Financial Statements**

Years Ended December 31, 2014 and 2013

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#### **Note 1 - Organization and Summary of Significant Accounting Policies, continued**

##### Materials and Supplies

Materials and supplies are stated at the lower of cost or market. Cost is determined principally by the average cost method.

##### Fair Value of Financial Instruments

The Cooperative's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, receivables, and payables. The Cooperative estimates that the fair value of all of these non-derivative financial instruments at December 31, 2014 and 2013 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying consolidated balance sheets.

##### Property, Plant, and Equipment

Telecommunications plant in service and under construction is stated at cost, including estimated overhead expense. Depreciation is calculated on a straight-line basis over the estimated life of the classes of property and equipment in accordance with rates consistent with industry standards. Depreciation rates range from 2.2% to 14.3%. Costs of plant retired are eliminated from telecommunications plant accounts and such costs plus removal expenses, less salvage, are charged to accumulated depreciation.

##### Memberships

An initial refundable membership fee of \$1 is charged to all new member subscribers, which entitles the member to vote at the annual meeting.

##### Patronage Allocations

The net margin of the Cooperative, less Subsidiary net margin, is allocated to its members in proportion to each member's access minutes of use and local service. Losses sustained by the Cooperative may be allocated to the accounts of individual patrons or offset to other equity at the discretion of the Board of Directors.

##### Other Equity

Other equity represents the accumulated earnings of Pioneer Consolidated, Inc. and any unallocated equities and unallocated losses.

##### Network Access Revenues

Network access revenue is received under a system of access charges. Access charges represent a methodology by which local telephone companies, including the Cooperative, charge the long-distance carrier for access and interconnection to local facilities. The Cooperative has elected to file access tariffs through the National Exchange Carriers Association (NECA) and directly through the PUC for these changes. These access tariffs are subject to approval by the FCC for interstate charges and the PUC for intrastate charges.

When network access revenues have been received pursuant to the settlement and access agreements above, they are then either placed into a common pooling arrangement with other exchange carriers for redistribution or kept by the Cooperative. The redistributions are made according to formulas established by the governing boards of the pools and are generally based upon expenses incurred and investments maintained.

The Cooperative participates in various pooling arrangements with NECA. They also participated in pooling arrangements with the Oregon Exchange Carrier Association (OECA) through July 2013, at which time the OECA Optional pool closed.

Settlement, access, and pool distribution revenues are recorded when the amounts become determinable. Related expenses are recorded when incurred. Subsequent true-ups and retroactive adjustments, which are generally allowed for a period of 24 months (NECA pool only) after the close of the related calendar year, are recorded in the year in which such adjustments become determinable, based upon studies prepared by outside consultants.



## **PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY**

### **Notes to Consolidated Financial Statements**

Years Ended December 31, 2014 and 2013

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#### **Note 1 - Organization and Summary of Significant Accounting Policies, continued**

##### Network Access Revenues, continued

In addition to recoveries from the pools, the Cooperative also receives revenues from the Universal Service High Cost Loop Fund (HCL) and other support mechanisms administered by the Universal Service Administrative Company (USAC). These universal service support revenues are intended to compensate the Cooperative for the high cost of providing service in rural areas. The amount of support received from HCL is based on the number of customers served and the cost of providing service in that area being in excess of the national average cost per loop, as determined by the FCC. The Cooperative also receives funding from Oregon Universal Service Funds (OUS) administered by the PUC. These support revenues are included in the network access revenues in the accompanying consolidated financial statements.

In 2014, the Cooperative received \$562,505 from the USAC High Cost Loop Fund (\$1,112,811 in 2013) and \$7,285,088 (\$7,377,392 in 2013) in interstate access revenues administered through the NECA Pools. In 2014, the Cooperative received \$1,765,061 from the OUS fund (\$1,654,916 in 2013). The current funding levels for the Oregon Universal Service Fund are determined in accordance with PUC Order 13-162 which ends June 30, 2016. The level of funding after this date cannot be reasonably estimated at this time.

##### National Broadband Plan and FCC Order

In 2010, the FCC issued the National Broadband Plan, which outlined a long-term plan to increase broadband penetrations and services throughout the United States of America. The plan further outlined a proposed long-term phase-out of access charges (referred to as Intercarrier Compensation) and moved to support mechanisms based on broadband services rather than the current Universal Service High Cost Loop Fund administered by USAC.

In response to the plan, the FCC on October 27, 2011, approved Report and Order 11-161 (the Order), that begins the process of reforming the universal service and intercarrier compensation (ICC) systems and adopts support for broadband-capable networks as an express universal service principle. The Order further creates the Connect America Fund which will ultimately replace all existing high-cost support mechanisms as well as help facilitate ICC reforms.

The key provisions of the order include:

- Capping the federal universal service fund at current levels.
- Placing limitations on capital and operating spending.
- Establishing local rate benchmarks.
- Capping the per-line support amount for the universal service high cost loop fund at \$250 per month.
- Phase out of local switching support and the establishment of the CAF for recovery of investment and expenses related to the provision of switching services.
- Reforming the ICC system by adopting a plan to transition from access charges to a bill and keep framework. The transition period for rate-of-return carriers such as the Cooperative is approximately 9 years from the date of the order.
- Adoption of a monthly Access Recovery Charge as a transitional recovery mechanism to mitigate the impact of reduced intercarrier revenues.

The Order was effective December 29, 2011 and implementation began July 1, 2012. As of the implementation date, CAF recovery is calculated based on the frozen fiscal year 2011 interstate switched access revenue requirement, plus certain 2011 intrastate access revenues, and will decline annually by 5% during the transition period.

## **PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY**

### **Notes to Consolidated Financial Statements**

Years Ended December 31, 2014 and 2013

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#### **Note 1 - Organization and Summary of Significant Accounting Policies, continued**

##### National Broadband Plan and FCC Order, continued

In 2014, the FCC issued Orders for Reconsideration that included provisions to eliminate the quantile regression benchmarking analysis (this removes the limitations on capital spending contained in the Order), reinstate the safety-net additive that was eliminated as part of the Order, and continued the transition of the local rate benchmark.

As of December 31, 2014, the Cooperative is transitioning its local rates and meets the local rate benchmark requirements. The Cooperative is not subject to the \$250 per line support cap. Furthermore, for the period ended December 31, 2014 the impacts to the Cooperative related to the 5% annual decline in switched access revenues have not been significant.

The overall reform process will take place in phases and will take several years to implement. Furthermore, the Order includes a Further Notice of Proposed Rulemaking, and the FCC has issued numerous Orders for Reconsideration and continues to seek comments on various items. As a result, the ultimate outcome of these proceedings and their impact is uncertain at this time.

##### Income Taxes

The Cooperative has been granted an exemption from federal income taxes, except for "unrelated" business income, under Section 501(c)(12) of the Internal Revenue Code.

The Cooperative is also exempt from state income taxes. However, in any year for which greater than 15% of gross revenue is derived from nonmember services, the Cooperative becomes a taxable cooperative. The Cooperative was exempt from income taxes in 2014 and 2013. Federal and state taxes payable by taxable cooperatives are computed differently from taxes payable by other corporations, primarily because cooperatives are allowed to deduct margins allocated or paid to patrons within 8 1/2 months after the end of each taxable year. Pioneer Consolidated, Inc. is a taxable corporation and files a separate income tax return.

Deferred taxes represent the future tax return consequence of differences between the financial statement and the tax basis of assets and liabilities, which will either be taxable or deductible when the related assets or liabilities are recorded or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Cooperative follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Cooperative recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There were no amounts accrued in the consolidated financial statements related to uncertain tax positions.

The Cooperative files informational returns in the United States and various state and local jurisdictions. With limited exceptions, the Cooperative is no longer subject to examinations for years before 2014.

##### Revenue Recognition

The Cooperative recognizes revenues when earned regardless of the period in which they are billed.

Monthly service fees derived from local telephone service and internet service are billed in advance. Accounts receivable are reduced by advanced billings and subsequently transferred to income in the period earned. Access charges (see Note 1, Network Access Revenue), long distance and other revenues based on usage are billed in arrears.

##### Subsequent Events

The Cooperative has evaluated subsequent events through April 8, 2015, which is the date the consolidated financial statements were available to be issued.



## PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

### Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

#### Note 2 - Other Assets and Investments

Other assets and investments, at cost, consist of the following:

	<u>2014</u>	<u>2013</u>
Communications Supply Service Association	\$ 25,000	\$ 25,000
National Telcom Corporation	50,000	50,000
CoBank patronage certificates	916,695	1,112,011
ANPI Holding, Inc.	198,432	198,432
CHR Solutions, Inc.	145,401	145,401
RTIC Holding Company, Inc.	<u>228,000</u>	<u>200,000</u>
Total, at cost	\$ <u>1,563,528</u>	\$ <u>1,730,844</u>

Other investments, equity method:

Casco Communications, Inc.	\$ 1,580,000	\$ 1,416,786
Wilcom LLC	<u>299,490</u>	<u>304,318</u>
Equity Investments	\$ <u>1,879,490</u>	\$ <u>1,721,104</u>
Total Other Assets and Investments	\$ <u>3,443,018</u>	\$ <u>3,451,948</u>

CoBank is a cooperative bank. Borrowers are required to invest a minimum of \$1,000 or 2% of their loan, whichever is less. Patronage dividends are paid annually in cash and in stock at the discretion of the board of directors of CoBank.

During 2013, the Subsidiary purchased 200 shares of class B common stock of RTIC Holding Company, Inc., an affiliate of Telcom Insurance Group, which will provide a 3% guaranteed dividend for ten years and provide a 5% reduction in insurance costs to the Cooperative. In 2014, the Cooperative invested an additional \$28,000 in cash.

The Subsidiary has a 50% ownership interest in Casco Communications, Inc. (Casco), a corporation providing internet access and other services. The investment is recorded using the equity method of accounting. Based on audited financial statements, the Subsidiary recorded income of \$163,214 related to this investment in 2014 (\$136,297 in 2013).

Following is a summary of financial position and results of operations of Casco Communications, Inc.:

	<u>2014</u>	<u>2013</u>
Current assets	\$ 1,357,781	\$ 2,287,223
Net property and equipment	1,789,662	428,073
Other assets and investments	<u>1,304,680</u>	<u>1,253,190</u>
	\$ <u>4,452,123</u>	\$ <u>3,968,486</u>
Current liabilities	\$ 366,385	\$ 352,996
Other liabilities	363,000	261,000
Noncontrolling interest	507,093	465,273
Stockholders' equity	<u>3,215,645</u>	<u>2,889,217</u>
	\$ <u>4,452,123</u>	\$ <u>3,968,486</u>
Operating revenue	\$ <u>6,421,575</u>	\$ <u>6,343,029</u>
Net income after taxes and noncontrolling interest	\$ <u>326,428</u>	\$ <u>272,594</u>

## PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY

### Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

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#### Note 2 - Other Assets and Investments, continued

During the year ended December 31, 2014, the Cooperative recorded an investment loss of \$4,828 from Wilcom LLC, (\$6,014 loss in 2013), and did not contribute any additional cash, (\$2,500 in 2013).

#### Note 3 - Property, Plant, and Equipment

Listed below are the major classes of telecommunications plant in service:

	<u>2014</u>	<u>2013</u>
<u>Pioneer Telephone Cooperative:</u>		
Land and support	\$ 7,303,070	\$ 7,171,489
Central office	15,368,566	14,088,797
Cable and wire facilities	<u>51,461,582</u>	<u>50,880,047</u>
Subtotal	74,133,218	72,140,333
 <u>Pioneer Consolidated, Inc.:</u>		
Fiber optic cable and equipment	<u>632,441</u>	<u>589,542</u>
	 <u>\$ 74,765,659</u>	 <u>\$ 72,729,875</u>

#### Note 4 - Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due and deferred income taxes.

Income tax expense consists of the following:

	<u>2014</u>	<u>2013</u>
Federal income tax	\$ 23,479	\$ 28,391
State income tax	7,236	8,179
Deferred income taxes	<u>65,545</u>	<u>122,787</u>
	 <u>\$ 96,260</u>	 <u>\$ 159,357</u>

The provision for income taxes differs from the amount computed by applying the current statutory federal income tax rate to earnings before income taxes due to the effects of state taxes, nondeductible items, differences in depreciation for book and tax purposes, and the tax-exempt status of the Cooperative.

Deferred income taxes in the accompanying consolidated balance sheets included the following components:

	<u>2014</u>	<u>2013</u>
Deferred income tax asset – deferred revenue	\$ 10,236	\$ 10,463
Deferred income tax liability – depreciation and investments basis differences	<u>(248,163)</u>	<u>(182,845)</u>
Deferred income tax liability, net	 <u>\$ (237,927)</u>	 <u>\$ (172,382)</u>

At December 31, 2014 and 2013 deferred taxes have been recorded to recognize the liability for future tax consequences from the prior use of accelerated depreciation for tax purposes and the net gain on any future sale of an investment recorded on the equity method for financial statement reporting versus the tax basis.



## **PIONEER TELEPHONE COOPERATIVE AND SUBSIDIARY**

### **Notes to Consolidated Financial Statements**

Years Ended December 31, 2014 and 2013

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#### **Note 5 - Employee Benefit Plans**

##### Multiemployer Pension Plan

The National Telecommunications Cooperative Association (NTCA) Retirement and Security Program for Employees of the NTCA and its Member Systems (the Plan) is a defined benefit pension plan covering many of the full-time employees of NTCA, its affiliates and its members that have adopted the Plan. Pursuant to IRC Section 413(c)(4), the Plan is considered a Multiple Employer (other) Master Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Plan's employer identification number is 52-0741336 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Cooperative is a participant in the above described plan. The Cooperative's contributions to the Plan in 2014 and 2013 represented less than 5 percent of the total contributions made to the Plan by all participating employers. The Cooperative made contributions to the Plan of \$581,161 in 2014 and \$536,132 in 2013. There have been no significant changes that affect the comparability of 2014 and 2013 contributions.

In the Plan, a "zone status" determination is not required and therefore, not determined under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations of plan assets are not determined or allocated separately by individual employer. In total, the Plan was approximately 98% percent funded at January 1, 2014, based on the PPA funding target and PPA actuarial value of assets on that date.

Because the provisions of the PPA do not apply to the Plan, funding improvement plans and surcharges are applicable and have been applied. Future contribution requirements are determined each year as part of the actuarial valuation of the Plan and may change as a result of plan experience. There is no collective bargaining agreement that affects future contribution requirements.

The Cooperative also participates in a contributory multi-employer defined contribution savings plan (the Plan) sponsored by the NTCA that covers all full-time eligible employees and contributes 3.5% of each eligible employee's annual salary to the Plan. The Cooperative's contribution to the Plan, including amounts charged to construction at December 31, 2014, was \$150,349 (\$152,756 in 2013).

#### **Note 6 - Related Party**

The Cooperative provides customer account processing for Casco Communications, Inc. relating to their DSL services. Amounts payable to Casco Communications, Inc. were \$46,553 and zero at December 31, 2014 and 2013, respectively.

The Cooperative also provides network access to Casco Communications, Inc. Total revenues billed for these services were \$1,393,633 in 2014 (\$1,257,765 in 2013). Amounts receivable from Casco Communications, Inc. were \$91,958 and \$96,916 at December 31, 2014 and 2013, respectively.

The Cooperative utilizes after-hours telephone answering services and DSL services provided by Casco Communications, Inc. Total amounts paid for these services were \$92,931 in 2014 (\$87,195 in 2013).

**PIONEER TELEPHONE COOPERATIVE  
AND SUBSIDIARY**

**To the Board of Directors**

*Year Ended December 31, 2014*

## **EXECUTIVE SUMMARY**

*To assist you in your responsibilities as a member of the Board of Directors, this section summarizes the most significant conclusions reached and issues addressed during our audit of Pioneer Telephone Cooperative and Subsidiary for the year ended December 31, 2014.*

### **SIGNIFICANT CONCLUSIONS AND ISSUES**

We have completed our audit and issued our report dated April 8, 2015. Based on our work performed:

- We rendered an unmodified opinion on the consolidated financial statements as of and for the year ended December 31, 2014.
- We have not identified any conditions which we consider to be material weaknesses in internal control.
- We received the full cooperation of management and staff throughout the organization and were kept informed as to developments and plans affecting our audit scope.
- No restrictions were placed on the scope of our work.

The following report includes our required communications with the Board of Directors.



**AKT**

CPAS AND BUSINESS CONSULTANTS

April 8, 2015

To the Board of Directors  
Pioneer Telephone Cooperative and Subsidiary

Dear Members of the Board of Directors:

We have audited the consolidated financial statements of Pioneer Telephone Cooperative and Subsidiary (the Cooperative) for the year ended December 31, 2014 and have issued our report thereon dated April 8, 2014.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter dated July 16, 2012. Professional standards also require that we communicate to you the following information related to our audit.

#### **SIGNIFICANT AUDIT FINDINGS**

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Cooperative are described in Note 1 to the December 31, 2014 consolidated financial statements. No new accounting policies were adopted and the applications of existing policies were not changed during 2014. We noted no transactions entered into by the Cooperative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We have evaluated the key factors and assumptions used in determining that those estimates are reasonable in relation to the consolidated financial statements taken as a whole. The most sensitive estimates affecting the consolidated financial statements were:

Management's estimates of the useful lives of property and equipment, any allowance for uncollectible accounts receivable is based on industry standards and management's knowledge of previous years' collectability of accounts receivable, and fair value measurements of financial instruments and investments. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

Certain consolidated financial statement disclosures are particularly sensitive because of their significance to consolidated financial statement users. The most sensitive disclosures are those related to effects and changes in the regulatory environment on the Cooperative.

The disclosures in the consolidated financial statements are neutral, consistent, and clear.

680 HAWTHORNE AVENUE SE, SUITE 140, SALEM, OR 97301

PHONE: 503.585.7774 FAX: 503.364.8405

ANCHORAGE, AK | CARLSBAD, CA | ESCONDIDO, CA | PORTLAND, OR | SALEM, OR | SAN DIEGO, CA

AKT LLP, CPAS AND BUSINESS CONSULTANTS



Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the consolidated financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 8, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Cooperative's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**OTHER AUDIT FINDINGS OR ISSUES**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Cooperative's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**OTHER MATTERS**

With respect to the supplemental information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Pioneer Telephone Cooperative and Subsidiary and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss this report with you further at your convenience.

*AKT LLP*

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